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Issued March 1934

UNITED STATES DEPARTMENT OF AGRICULTURE

AGRICULTURAL ADJUSTMENT ADMINISTRATION

WASHINGTON, D.C.

ALTERNATIVE PROPOSALS AND THEIR ADVANTAGES AND DISADVANTAGES

(Statement to be presented at 15 regional meetings held between Apr. 1 and Apr. 15, 1934, to place before dairy farmers a proposed program for adjustment of the dairy industry)

A number of proposals for dairy adjustments have been received by the Agricultural Adjustment Administration from members of the dairy industry. All of these proposals have been carefully studied. Some which have not been adopted as the major part of the adjustment program, will be reviewed briefly, together with the reasons why they have not been found adequate.

Three have been embodied in the program which is being offered to the industry. These are: Eradication of disease; transfer of cows from surplus areas to farms without milk cows; and the distribution of relief milk to undernourished children.

Other suggested alternatives are: (1) Decreasing cow numbers through benefit payments; (2) feed reduction and grain-acreage reduction through benefit payments; (3) forcing a high fat standard in milk and dairy products sold; (4) outright restriction of the sales of milk and dairy products; (5) increasing the age at which calves may be marketed in order to utilize more whole milk on farms; (6) drying off milk cows; (7) facilitating the manufacture of farm butter through the use of an attachment to the farm separator giving a cream of very high fat content; (8) reliance upon education to bring about the substitution of forage and pasture, in place of concentrates, as the chief means of reducing production; (9) restriction or prohibition of the manufacture and sale of competing products; (10) advertising the health value of dairy products; (11) general removal of marginal lands from any and all crop production use; and (12) creating a surplus removal corporation and putting all agricultural products under a general equalization fee and export system.

Any cow-removal program involving payments by the Government must result in some actual reduction of milk production beyond what normal culling provides. Otherwise the Government would be paying farmers for doing what they would do anyway.

Allowing for the normal annual rate of culling, 4,500,000 head, and for possible shifts from beef to dairying, and including the assumed extra culling to offset death loss, the Administration finds that a 3-percent cut in commercial milk production would require

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the elimination of $5\frac{1}{2}$ million cows; a 5-percent cut would require 6 million fewer cows; and a 10-percent reduction program would require the removal of $7\frac{1}{3}$ million cows in 1 year.

The total tax required to provide the necessary payments to cow owners for culling would be large, and the distribution of the benefits under such a plan would not be equitable as among regions, localities, or individuals. Moreover, it is of the greatest importance to recognize that as industrial recovery becomes more marked the demand for dairy products will improve, and the dairy industry wants to be in position to expand production. It is not desirable to cut down markedly the capacity of the milk plant.

Any plan for tubercular cow removal financed in substantial part through a processing tax would be opposed by dairymen in those States where property tax money has already been used to secure modified accredited standing. They would object to the apparent unfairness of using large amounts of revenue from a Nation-wide tax to further eradication in the few areas where numbers of reactors are concentrated.

Raising the butterfat content of butter from 80 percent to 82.5 percent is advocated on the grounds that it would eliminate from the markets 51 million pounds of butter per year. This would mean putting more fat in a given package. In case the total consumer expenditures for butter remain the same, although the unit price per pound might rise, the net return to dairymen would not be materially greater under such a plan. The chief saving, it is believed, would come from reduced transportation, manufacturing, and packaging costs on butter. The plan might be difficult to handle if some States did not alter their regulatory standards for intrastate commerce to fit the increase in Federal standards.

Outright restriction of the sales of milk beyond a certain quota, with dairy receiving plants operating under allotments and Federal licenses, has been proposed. This the Administration regarded as too drastic to merit serious consideration.

Regulations requiring a low age limit at which calves must be sold is another objectionable proposal, falling in the same category. Similarly, the payment of a bonus for old cows brings up the practical question of correct age determination, in addition to being an uneconomical method of reduction. The extension of cow-testing association work, while highly advantageous, would, it was thought, secure only a slight degree of control over production, and would obtain it at a slow rate. It is considered an advantageous educational and economy measure rather than an emergency program.

Drying off milk cows in return for fees paid by the Government has been carefully studied and in general it is thought impractical and difficult to administer fairly and successfully. Its chief advantage lies in maintaining herds on cheap feeds while they are dry, leaving them ready for breeding and freshening when conditions warrant expansion.

Producing a very high fat cream with special separator attachments is not a plan likely to be widely adopted or fitting to any national-adjustment program, but is rather a matter of individual choice.

It has been suggested that a 20-percent cut in grain acreage would help to bring about a considerable reduction in milk flow. Figuring the normal unit requirements for farm animals, the land required for grain growing, and the distribution of the net supply of grain among the various kinds of livestock, it is indicated that the greatest effect would be felt on hogs and the next greatest on poultry, while the effect on milk production would be relatively small. A general shift to increased use of roughage is suggested as a method of reducing milk production advantageously.

Many dairymen raise the issue of competing products and desire to have strict embargoes or prohibitionary measures invoked against oleomargarine and its ingredients as a means of increasing the price of butter. If all oleomargarine were eliminated and all consumers then used butter instead, it is believed that the maximum increase in the price of butter would not be over 2 cents per pound on the basis of 1932 conditions. At present, however, it looks more probable that the increase in butter price, if oleomargarine were eliminated, would be something less than 1 cent. If the importation of fats and oils for use in oleomargarine were prohibited, it is probable that domestic fats and oils would be used, and the effect on butter prices would be negligible. In arguments advanced for preserving the American market for American fats and oils, with embargoes or high tariffs against imports, the dairy industry is joined by the meat packers, the domestic oleomargarine manufacturers, and the beef and cotton producers. The packers, oleomargarine, and beef and cotton people presumably support the plan because it would provide them with a better opportunity to preserve the home market for homemade oleomargarine.

Advertising the health value of milk and dairy products is properly a direct function of the industry itself. The Department of Agriculture does not feel that the Government should engage in advertising one product as against another. The distribution of surplus relief milk and similar projects already included in the main program would in themselves focus public attention on the great nutritive value of milk.

Removal of marginal lands from crop production is already one of the major plans of the Adjustment Administration. But its application to dairying alone would be a slow and expensive way to secure sufficient reduction in commercial milk production.

Plans for surplus removal, equalization fees, and forced exports would require new congressional action. The Agricultural Adjustment Administration at present is primarily interested in working out some proposals which could be put into effect promptly, without further congressional action.

All the foregoing is a brief summary of some of the alternative proposals submitted to the Adjustment Administration, and the reasons which led to recommendation of other methods.

U. S. GOVERNMENT PRINTING OFFICE: 1934